

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
U.S. DEPARTMENT OF AGRICULTURE							
Passed through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-06-028668-02	\$ (17,982)	\$ 17,982	\$ -	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-07-037085-00	-	40,435	114,547	-	(74,112)
Total Emergency Food Assistance Program (Administrative Costs)			(17,982)	58,417	114,547	-	(74,112)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	202,414	202,414	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(44,990)	334,378	328,981	-	(39,593)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(16,127)	89,813	91,265	-	(17,579)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(801)	8,577	8,628	-	(852)
Total Child and Adult Care Food Program			(61,918)	432,768	428,874	-	(58,024)
Total U.S. Department of Agriculture			(79,900)	693,599	745,835	-	(132,136)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-47-0001	(464,945)	2,161,244	1,696,516	-	(217)
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-47-0001	-	553,579	1,431,367	-	(877,788)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	1,125,185	1,125,185	-	-
Total Community Development Block Grants/Entitlement Grants			(464,945)	3,840,008	4,253,068	-	(878,005)
Emergency Shelter Grants Program	14.231	S-04-MC-47-003	(48,194)	48,194	-	-	-
Emergency Shelter Grants Program	14.231	S-05-MC-47-003	(58,313)	78,706	20,393	-	-
Emergency Shelter Grants Program	14.231	S-06-MC-47-003	-	24,978	74,105	-	(49,127)
Total Emergency Shelter Grants Program			(106,507)	151,878	94,498	-	(49,127)

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(continued from previous page)							
Shelter Plus Care	14.238	TN37C400010	\$ (37,773)	\$ 43,748	\$ 5,975	\$ -	\$ -
Shelter Plus Care	14.238	TN37C400010	-	67,646	144,754	-	(77,108)
Total Shelter Plus Care			(37,773)	111,394	150,729	-	(77,108)
Home Investment Partnerships Program	14.239	M-03-MC-47-0200	(263,317)	263,317	-	-	-
Home Investment Partnerships Program	14.239	M-04-MC-47-0200	-	1,244,452	1,244,452	-	-
Home Investment Partnerships Program	14.239	M-05-MC-47-0200	-	253,442	253,442	-	-
Home Investment Partnerships Program	14.239	M-06-MC-47-0200	-	-	336,378	-	(336,378)
Home Investment Partnerships Program	14.239	Program Income	263,210	435,783	435,783	(263,210)	-
Total Home Investment Partnerships Program			(107)	2,196,994	2,270,055	(263,210)	(336,378)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-01-SP-TN-0590	(22,390)	75,234	52,844	-	-
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-02-SP-TN-0685	(86,191)	117,911	31,720	-	-
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-03-SP-TN-0735	(1,128)	1,128	-	-	-
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-03-SP-TN-0748	(16,993)	79,316	62,323	-	-
Total Community Development Block Grants/ Brownfields Economic Development Initiative			(126,702)	273,589	146,887	-	-
Total U.S. Department of Housing and Urban Development			(736,034)	6,573,863	6,915,237	(263,210)	(1,340,618)
U.S. DEPARTMENT OF THE INTERIOR							
Passed through State of Tennessee Historical Commission:							
Historic Preservation Fund Grants-In-Aid	15.904	GG-06-12046-00	(1,954)	10,000	8,046	-	-
Total Missionary Ridge Development Guidelines			(1,954)	10,000	8,046	-	-
Total U.S. Department of Interior			(1,954)	10,000	8,046	-	-

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(continued from previous page)							
U.S. DEPARTMENT OF JUSTICE							
Passed through Tennessee Department of Finance and Administration:							
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088379-00	\$ (8,102)	\$ 41,530	\$ 40,000	\$ -	\$ (6,572)
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088380-00	(570)	570	-	-	-
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088436-00	(432)	4,035	15,000	-	(11,397)
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088471-00	(11,677)	43,184	40,690	-	(9,183)
Total Edward Byrne Memorial Formula Grant Program			(20,781)	89,319	95,690	-	(27,152)
Local Law Enforcement Block Grant Program	16.592	2004-LB-BX-1212	13,299	-	19,611	6,312	-
Edward Byrne Memorial Formula Grant Program	16.579	2006-DJ-BX-0943	-	186,506	-	-	186,506
Public Safety Partnership and Community Policing Grants	16.710	2002CKWX0005	(118,910)	244,932	196,790	-	(70,768)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0280	209,691	-	209,691	-	-
Total U.S. Department of Justice			83,299	520,757	521,782	6,312	88,586
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	STP-M-9202 (86)	(72,866)	-	-	-	(72,866)
Highway Planning and Construction	20.205	Z-06-030928-00	(54,965)	104,114	59,963	-	(10,814)
Highway Planning and Construction	20.205	Z-07-036291-00	-	146,603	224,948	-	(78,345)
Highway Planning and Construction	20.205	STP-M-9202 (55)	-	-	110,187	-	(110,187)
Passed through Georgia Department of Transportation							
Highway Planning and Construction	20.205	PL-000-0007-00(207)	(30,880)	59,101	31,350	-	(3,129)
Highway Planning and Construction	20.205	PL-000-0007-00(980)	-	38,898	55,090	-	(16,192)
Total Highway Planning and Construction			(158,711)	348,716	481,538	-	(291,533)

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(continued from previous page)							
Passed through Tennessee Department of Transportation:							
Federal Transit: Metropolitan Planning Grants	20.505	GG-06-12418-00	\$ -	\$ 6,426	\$ 7,140	\$ -	\$ (714)
Federal Transit: Metropolitan Planning Grants	20.505	GG-07-20565-00	-	25,307	43,690	-	(18,383)
Federal Transit: Metropolitan Planning Grants	20.505	GG-06-12294-01	(16,882)	21,671	4,891	-	(102)
Total Federal Transit: Metropolitan Planning Grants			(16,882)	53,404	55,721	-	(19,199)
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-07-035738-00	-	5,000	5,000	-	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-06-027325-00	(6,101)	11,527	5,426	-	-
Total State and Community Highway Safety			(6,101)	16,527	10,426	-	-
Total U.S. Department of Transportation			(181,694)	418,647	547,685	-	(310,732)
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
Grants to States	45.310	GG-07-12045-00	-	93,500	93,500	-	-
Grants to States	45.310	GG-07-12776-00	-	617	617	-	-
Grants to States	45.310	Z-06-033510-00	-	11,740	11,740	-	-
Grants to States	45.310	Z-06-034108-00	-	25,000	21,506	-	3,494
Grants to States	45.310	Z-06-031297-00	-	-	5,900	5,900	-
Grants to States	45.310	Z-07-20133-00	-	7,808	-	-	7,808
Grants to States	45.310	Z-07-20433-00	-	12,828	-	-	12,828
Grants to States	45.310	Z-07-20434-00	-	29,664	-	-	29,664
Grants to States	45.310		5,864	-	5,864	-	-
Total Institute of Museum and Library Services			5,864	181,157	139,127	5,900	53,794

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(continued from previous page)							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Air Pollution Control Program Support	66.001	A00408406-1	\$ (303,043)	\$ 303,043	\$ -	\$ -	\$ -
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96146106	-	16,203	19,939	-	(3,736)
Surveys, Studies, Investigations and Special Purpose Grants	66.034	PM97475803-1	-	130,401	130,401	-	-
Passed through Tennessee Department of Environment and Conservation:							
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-2003-168	-	3,141,076	3,141,076	-	-
Total U.S. Environmental Protection Agency			(303,043)	3,590,723	3,291,416	-	(3,736)
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-04	(42,879)	42,879	-	-	-
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-05	-	264,810	327,204	-	(62,394)
Total Weatherization Assistance for Low-Income Persons			(42,879)	307,689	327,204	-	(62,394)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH0047/29	(357,928)	358,034	106	-	-
Head Start	93.600	04CH0047/30	-	6,327,872	7,474,680	-	(1,146,808)
Total Head Start			(357,928)	6,685,906	7,474,786	-	(1,146,808)
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z-05-021693-04	(7,787)	7,787	-	-	-
Low-Income Home Energy Assistance	93.568	Z-05-021693-05	-	1,797,142	2,063,006	-	(265,864)
Total Low-Income Home Energy Assistance			(7,787)	1,804,929	2,063,006	-	(265,864)
Social Services Block Grant	93.667	Z-06-031570	(3,400)	3,400	-	-	-
Community Services Block Grant	93.569	Z-05-020686-02	(59,896)	59,896	-	-	-
Community Services Block Grant	93.569	Z-05-020686-03	-	555,304	644,267	-	(88,963)
Total Community Services Block Grant			(59,896)	615,200	644,267	-	(88,963)
Total U.S. Department of Health and Human Services			(429,011)	9,109,435	10,182,059	-	(1,501,635)

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CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	04-SFSTN003	\$ -	\$ 402,737	\$ 426,640	\$ -	\$ (23,903)
Foster Grandparent Program	94.011	05-SFSTN003	(27,752)	27,752	-	-	-
Total Corporation for National and Community Services			(27,752)	430,489	426,640	-	(23,903)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	24-7682-00-001	12,364	-	12,364	-	-
Emergency Food and Shelter National Board Program	97.024	25-7682-00-001	-	19,750	34,375	-	(14,625)
Total Federal Emergency Management Agency			12,364	19,750	46,739	-	(14,625)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed Through Tennessee Emergency Management Agency:							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-03-017837-00	(129,566)	-	-	-	(129,566)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	GG-07-12692-00	-	36,767	36,767	-	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-05-024713-00	(5,696)	-	-	-	(5,696)
Total Public Assistance Grants			(135,262)	36,767	36,767	-	(135,262)
Hazard Mitigation Grant	97.039	GG-05-11612-00	(23,038)	-	-	23,038	-
State Domestic Preparedness Equipment Support Program	97.004	GG-07-20667-00	-	-	100,857	-	(100,857)
Assistance to Firefighters Grant	97.044	EMW-2005-FG-07649	(439,846)	457,685	17,839	-	-
Assistance to Firefighters Grant	97.044	EMW-2006-FG-10982	-	38,071	55,753	-	(17,682)
Buffer Zone Protection Program (BZPP)	97.078	Z-05-031027-00	-	247,400	247,400	-	-
Metropolitan Medical Response System	97.071	EMW-2004-GR-0678	(91,252)	369,540	278,288	-	-
Total U.S. Department of Homeland Security			(689,398)	1,149,463	736,904	23,038	(253,801)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(2,390,138)	23,005,572	23,888,674	(227,960)	(3,501,200)

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(continued from previous page)							
Component Units							
<u>Awards Audited by Other Auditors</u>							
Chattanooga Area Regional Transportation Authority (CARTA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0070	\$ -	\$ 3,343	\$ 3,343	\$ -	\$ -
Passed through Tennessee Department of Transportation:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0051	-	176,632	176,632	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0027	-	89,298	89,298	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0076	(1,102)	43,234	42,132	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0078	-	80,307	80,307	-	-
Total Federal Transit - Capital Investment Grants			(1,102)	392,814	391,712	-	-
Federal Transit - Formula Grants	20.507	TN-90-X215	(15,054)	15,054	-	-	-
Federal Transit - Formula Grants	20.507	TN-90-X261	-	128,000	572,653	-	(444,653)
Federal Transit - Formula Grants	20.507	TN-26-0020	(19,490)	326,374	306,884	-	-
Federal Transit - Formula Grants	20.507	TN-90-X231	(62,512)	509,563	447,051	-	-
Federal Transit - Formula Grants	20.507	TN-90-X247	(193,230)	2,872,853	2,679,623	-	-
Total Federal Transit - Formula Grants			(290,286)	3,851,844	4,006,211	-	(444,653)
Total Federal Transit Cluster			(291,388)	4,244,658	4,397,923	-	(444,653)
Job Access - Reverse Commute	20.516	TN-37-X042	(13,017)	13,017	4,285	-	(4,285)
Job Access - Reverse Commute	20.516	TN-37-X027	(66,666)	409,261	367,198	-	(24,603)
Total Job Access - Reverse Commute			(79,683)	422,278	371,483	-	(28,888)
Total Expenditures of Federal Awards - CARTA			(371,071)	4,666,936	4,769,406	-	(473,541)

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Chattanooga Metropolitan Airport Authority (CMAA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-29	\$ -	\$ 14,206	\$ 14,206	\$ -	\$ -
Airport Improvement Program	20.106	3-47-0009-32	-	9,500	9,500	-	-
Airport Improvement Program	20.106	3-47-0009-33	(72,496)	112,331	39,835	-	-
Airport Improvement Program	20.106	3-47-0009-34	(274,499)	623,443	348,944	-	-
Airport Improvement Program	20.106	3-47-0009-35	(171,815)	1,298,674	1,370,684	-	(243,825)
Airport Improvement Program	20.106	3-47-0009-36	(540,252)	1,266,607	766,429	-	(40,074)
Airport Improvement Program	20.106	3-47-0009-37	(950)	96,496	95,546	-	-
Airport Improvement Program	20.106	3-47-0009-38	(32,846)	977,958	1,331,605	-	(386,493)
Airport Improvement Program	20.106	3-47-0009-39	20,182	734,102	760,325	-	(6,041)
Airport Improvement Program	20.106	3-47-0009-40	-	337,768	478,098	-	(140,330)
Total Expenditures of Federal Awards - CMAA			(1,072,676)	5,471,085	5,215,172	-	(816,763)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(1,443,747)	10,138,021	9,984,578	-	(1,290,304)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(3,833,885)	33,143,593	33,873,252	(227,960)	(4,791,504)
STATE AWARDS							
Tennessee Department of Environment & Conservation:							
Household Hazardous Waste		GG-06-12224-00	(45,023)	45,023	-	-	-
Household Hazardous Waste			-	-	85,000	-	(85,000)
Northshore Wetlands Park Education Pavilion		GG-07-12980-00	-	-	32,401	-	(32,401)
Northshore Wetlands Park Education Pavilion		Z-05-022828-00	-	-	300,000	-	(300,000)
Tennessee Department of Agriculture:							
Urban Forestry Grant		Z-07-033316-00	-	-	4,450	-	(4,450)

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Tennessee Department of Economic and Community Development							
Advanced Manufacturing Project FDIP		GG-07-20542-00	\$ -	\$ -	\$ 35,595	\$ -	\$ (35,595)
Tennessee Department of Transportation:							
University Greenway		STP-EN-3300(42)	-	-	4,055	-	(4,055)
Transportation Enhancement Program (TVRM)		STP-EN-9202(76)	(28,904)	28,904	-	-	-
Tennessee Wildlife Resource Agency:							
Boating Infrastructure		GG-07-12838-00	(92,500)	92,500	-	-	-
Tennessee Film, Entertainment, and Music Commission:							
Film Commission		N/A	2,500	-	2,500	-	-
Tennessee Department of Finance and Administration:							
Tennessee Housing Development Agency THDA Entitlement - CNE Project		Program Income	450,210	99,388	-	-	549,598
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			286,283	265,815	464,001	-	88,097

Component Units

Awards Audited by Other Auditors

Chattanooga Area Regional Transportation Authority (CARTA)

Tennessee Department of Transportation:							
State funding for TN-26-0020		GG-0310136	(2,435)	32,754	38,360	-	(8,041)
State funding for TN-03-0051		GG-0712890	-	16,329	22,079	-	(5,750)
State funding for TN-03-0078		GG-0612227	-	931	10,038	-	(9,107)
State funding for TN-37-X021		GG-0410492	(3,187)	3,187	-	-	-
State funding for TN-03-0070		GG-0410542	-	-	420	-	(420)
State funding for TN-03-0076		GG-0511471	(138)	5,404	5,266	-	-
State funding for TN-90-X042		GG-0511337	-	2,143	2,143	-	-

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State funding for TN-90-X231		GG-0612188	\$ (8,593)	\$ 36,104	\$ 27,511	\$ -	\$ -
State funding for TN-90-X247			(24,154)	248,730	334,953	-	(110,377)
State funding for TN-37-X027		GG-0410441	(20,458)	204,057	183,599	-	-
State Operating		GG-0712773	-	1,917,617	1,917,617	-	-
Total Expenditures of State Awards - CARTA			(58,965)	2,467,256	2,541,986	-	(133,695)
Chattanooga Metropolitan Airport Authority (CMAA)							
Airport Improvement Program		Z-06-02-9470-00	(53,327)	-	1,042	-	(54,369)
Airport Improvement Program		Z-07-03-7572-00	(105,067)	10,571	789	-	(95,285)
Airport Improvement Program		Z-06-02-9471-00	(406,564)	406,564	-	-	-
Airport Improvement Program		Z-06-02-9469-00	(39,224)	39,473	249	-	-
Airport Improvement Program		Z-06-02-9472-00	(48,658)	48,658	-	-	-
Airport Improvement Program		Z-06-02-9475-00	(8,140)	8,140	-	-	-
Airport Improvement Program		Z-06-02-9426-00	(57,756)	57,756	-	-	-
Airport Improvement Program		Z-07-03-7626-00	(29,143)	-	9,183	-	(38,326)
Airport Improvement Program		Z-06-02-9515-00	-	311,237	975,612	-	(664,375)
Airport Improvement Program		Z-07-03-7574-00	(5,650)	-	2,514	-	(8,164)
Airport Improvement Program		Z-07-03-7625-00	(42,014)	-	36,070	-	(78,084)
Airport Improvement Program		Z-07-03-7627-00	(20,621)	-	20,170	-	(40,791)
Airport Improvement Program		Z-07-03-7620-00	(864)	-	35,042	-	(35,906)
Airport Improvement Program		Z-07-03-7627-00	(7,794)	-	20,009	-	(27,803)
Airport Improvement Program		Pending	(37,575)	-	29,025	-	(66,600)
Airport Improvement Program		Z-07-03-7619-00	-	-	7,772	-	(7,772)

(continued on next page)

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Airport Improvement Program		Z-07-03-7618-00	\$ -	\$ -	\$ 26,253	\$ -	\$ (26,253)
Airport Improvement Program		Z-07-03-7617-00	-	-	7,726	-	(7,762)
Airport Improvement Program		Z-07-03-7612-00	-	-	11,621	-	(11,612)
Airport Improvement Program		Z-07-03-7613-00	-	-	27,900	-	(27,900)
Airport Improvement Program		Z-07-03-7629-00	-	-	7,407	-	(7,470)
Airport Improvement Program		Z-06-02-9488-00	(51,039)	45,935	(5,104)	-	-
Total Expenditures of State Awards - CMAA			(913,436)	928,334	1,213,370	-	(1,198,472)
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			(972,401)	3,395,590	3,755,356	-	(1,332,167)
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			(686,118)	3,661,405	4,219,357	-	(1,244,070)
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			<u>\$ (4,520,003)</u>	<u>\$ 36,804,998</u>	<u>\$ 38,092,609</u>	<u>\$ (227,960)</u>	<u>\$ (6,035,574)</u>

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2007

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$1,125,185 and \$435,783, respectively.

Note 3. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards reflect adjustments to prior year ending deferred revenues that will not be recognized.

Note 4. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$3,492,206
Emergency Shelter Grants Program	14.231	94,490
Home Investment Partnerships Program	14.239	2,451,587
Community Development Block Grants/ Brownfields Economic Initiative	14.246	116,972

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards

To the Honorable Mayor
and Members of the City Council
City of Chattanooga, Tennessee

We have audited the financial statements of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2007, and have issued our report thereon dated January 8, 2008. We did not audit the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, was based solely on the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Haslett, Lewis & Bieten, PLLC

Chattanooga, Tennessee
January 8, 2008

Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor
and Members of the City Council
City of Chattanooga, Tennessee

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority whose federal and state financial assistance is \$13,739,934. The reports of the other auditors on compliance with the requirements applicable to major programs have been furnished to us, and our opinion on compliance with those requirements, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority was based solely on the reports of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures and the reports of the other auditors disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-2 and 2007-3.

Internal Control Over Compliance

The management of the City of Chattanooga, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Haslett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
January 8, 2008

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ no

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X yes _____ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218 14.239	U.S. Department of Housing and Urban Development: Community Development Block Grants/Entitlement Grants Home Investment Partnerships Program
20.106 20.500 20.507	U.S. Department of Transportation: Airport Improvement Program Federal Transit Cluster: Federal Transit – Capital Improvement Grants Federal Transit – Formula Grants
66.458	U.S. Environmental Protection Agency: Capitalization Grants for Clean Water – State Revolving Funds
93.568 93.600	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP) Head Start

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Dollar threshold used to distinguish between type A
and type B programs: \$1,016,198

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2007-1: Internal Control over Financial Reporting

Condition: Under current professional standards, the City is responsible for the internal control process which includes preparation of year-end financial statements in accordance with generally accepted accounting principles. During the audit process numerous adjustments and corrections were made to the governmental fund and government-wide financial statements. The amounts involved were material to the financial statements.

Context: Statement on Auditing Standards No. 112, "Communicating Internal Control Related Matters Identified in an Audit," is applicable for the year ended June 30, 2007. The financial statement revisions made during the audit process constitute significant deficiencies in internal control under the new standard.

Effect: The City's independent auditors assist in the preparation of accurate financial statements and disclosures, but are not considered a part of the City's internal control process under newly-issued audit standards.

Cause: The City's internal control process did not adequately identify and correct certain misstatements in the governmental fund and government-wide financial statements.

Recommendation: We recommend that the City improve the review process of amounts reflected in the governmental fund and government-wide financial statements.

Management's Response: The City accepts responsibility for the internal control process. Weakness this year resulted from inexperienced staffing and added responsibilities placed on senior staff and management due to implementation of new ERP software system. Additional procedures are now in place that provides more managerial review of work done by staff to ensure greater accuracy of financial statements in the future.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2007-2: Schedule of Expenditures of Federal Awards

Federal program: All programs
Federal agency: All agencies
Award years: July 1, 2006 to June 30, 2007

Criteria: According to OMB Circular A-133, Subpart C, Paragraph .300 (d), the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Condition: In our testing, we determined that major revisions were required to the City's schedule of expenditures of federal awards.

Questioned costs: None

Effect: The City is not in compliance with federal regulations regarding preparation of a complete and accurate schedule of expenditures of federal awards.

Cause: The City's Department of Finance and Administration is responsible for financial reporting of federal awards, but federal awards are received and administered in numerous City departments. The communication between departments relative to federal awards could be improved.

Recommendation: The City should develop processes to properly accumulate and report federal awards information to the Department of Finance and Administration for inclusion in the schedule of expenditures of federal awards as required by OMB Circular A-133.

Management's response: Procedures have been strengthened to ensure that federal awards are properly communicated and reported in the City's CAFR as required by OMB Circular A-133.

Finding 2007-3: CARTA Draw Downs

Federal program: CFDA 20.500 Federal Transit-Capital Investment Grants
CFDA 20.507 Federal Transit-Formula Grants

Federal agency: United States Department of Transportation

Condition: Regulations require that ECHO draw downs be disbursed within three business days after receipt of the funds. The audit disclosed three instances of ECHO draw downs by CARTA not being disbursed within three business days.

Questioned Costs: A sample of 40 capital expenditures was tested totaling \$2,280,056. Three expenditures with costs totaling \$41,304 were found to have been disbursed after three days.

Effect: The questioned costs may be subject to interest owed for the time period of noncompliance to the FTA.

Cause: CARTA is requesting draw downs on the assets which are received subject to testing and approval by CARTA. Payments to vendors are not made until assets are deemed to meet acceptable standards. The testing and approval process often exceeds three business days.

Recommendation: We recommend that CARTA request draw downs from ECHO only after assets are deemed to meet organizational standards.

Management's Response: CARTA management is reviewing these requirements to determine that draw downs are disbursed timely. Management indicated that funds will be requisitioned in the future only after the guidelines are met.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2007

Finding 2006-1 from June 30, 2006

Federal program: CFDA 20.106 Airport Improvement Project

Condition: The Airport Authority inadvertently requested and received reimbursement in the amount of \$23,513 from AIP #3-47-0009-39 for costs to be reimbursed by State Project #33-555-0788-04.

Current status: Corrective action has been taken.

Finding 2006-2 from June 30, 2006

Federal program: CFDA 20.500 Federal Transit-Capital Investment Grants
CFDA 20.507 Federal Transit-Formula Grants

Condition: Regulations require that ECHO draw downs be disbursed within three business days after receipt of the funds. The audit disclosed eight instances of ECHO draw downs by CARTA not being disbursed within three business days.

Current status: Management has adopted a policy that requires payment of the expenditures before the ECHO funds are drawn down. CARTA has paid the United States Department of Transportation interest for the time period elapsed between the ECHO draw down and the payment of the expenditure.